

MINUTES OF THE  
JOINT HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE  
WEDNESDAY, FEBRUARY 5, 2003, 2:00 P.M.  
Room 223, State Capitol Building

Members Present: Sen. David Gladwell, Co-Chair  
Rep. Bradley T. Johnson, Co-Chair  
Sen. Bill Hickman  
Sen. Ron Allen  
Rep. Margaret Dayton  
Rep. Brad Dee  
Rep. Kory M. Holdaway  
Rep. Gregory H. Hughes  
Rep. Patricia W. Jones  
Rep. Susan Lawrence  
Rep. LaWanna "Lou" Shurtliff  
Rep. Bradley A. Winn

Members Excused: Sen. Peter Knudson

Members Absent: Rep. Stephen H. Urquhart

Staff Present: Boyd A. Garriott, Senior Legislative Fiscal Analyst  
Debra Headden, Legislative Fiscal Analyst  
Rolayne Day, Secretary

Public Speakers Present: Commissioner Cecelia Foxley  
Dr. Charles W. Gay, VP of University Extension, USU  
Dr. Paul Rasmussen, Dir. Ag. Experiment Station & Assoc. VP of Research, USU  
Chalmers Gail Norris, USHE  
Dr. Paul Brinkman, Associate VP, UU  
Commissioner Cecelia Foxley  
Pres. Kermit Hall, USU  
Fred Hunsaker, VP of Administrative Services, USU  
Pres. Ryan Thomas, CEU  
Nolan Karras, Chair, Board of Regents  
Pres. Ann Millner, WSU  
Acting Pres. Lucille Stoddard, UVSC

Visitor List on File

Committee Co-Chair Johnson called the meeting to order at 2:11 p.m.

1. Cooperative Extension and Agricultural Experiment Station—Dr. Charles Gay, Vice President of University Extension, said there are 38 students enrolled in the distance doctorate program. Cooperative Extension has dealt with budget cuts by a complete reorganization. One of the difficulties is that they are market driven and must respond to rapidly changing issues for their clients. A particular concern are diseases at the borders of the state. They also are trying to help communities deal with the growing Hispanic population. Immigrants come into the school system at all ages. They are often not literate in their own language let alone English and our teachers are not prepared to deal with the situation. Extension has developed an excellent computer-based literacy program but budget cuts leave them with no way to deliver it.

Dr. Paul Rasmussen, USU Agricultural Experiment Station and Vice President for Research, discussed some of the diseases poised to enter Utah. Among the threats are the West Nile Virus, Chronic Wasting Disease, various poultry diseases, Anthrax and a variety of other biological diseases. New Federal, State and International regulations are in place to deal with these threats as well as bioterrorism. He indicated that bioterrorism will probably come to small farms where they can inflict the damage quietly and let the farms carry it further. These problems will erode farm incomes even further and will force many out of business. The State needs people in agriculture to do research and to perform diagnostics to fight problems. Department heads are beginning to cut teaching assistants and that cuts research on unique Utah problems. The Climate Center is vital to many parts of Utah not only for agriculture, but for business throughout the state and the nation. If it isn't funded, 100 years of site specific information will be lost.

The Cedar Mountain project is threatened and, although a lot has been learned, there is still a lot left to learn. The satellite veterinary diagnostics laboratory in Nephi could be eliminated. This laboratory must be accredited or all diagnostics will have to be done in Logan.

2. Financial Aid—Analyst Debra Headden said federal programs that require matches are listed in the Analysts' Budget Book on Pages 40-42. The Analysts recommend supporting those matches if funds become available. In addition, funding is needed for the Utah Centennial Program for Education and the New Century Scholarship. Ms. Headden said some of the financial aid programs and the New Century Scholarship was funded in one-time money last year that needs to be converted to on-going. Analyst Boyd Garriott said it should come out of State funding rather than tuition.

Commissioner Foxley distributed a handout of Century Scholarship participation by high school. It is still too soon to know if this program speeds a student's graduation time, but it looks like it will. She reminded the committee that Utah is unique with bigger families and multiple children going to school at the same time. It is crucial to have more need-based financial aid as tuition goes up.

Utah Centennial Opportunity Program for Education (UCOPE)—Chalmers Gail Norris, USHE, said a lot of money is necessary for need-based aid and yet they understand the State's financial reality. After accounting for increases in federal funds, tuition income, and a small increase in UHEAA, there is still a \$5.8 million shortfall under the Regent's policy goal. They believe there are about 2,000 people that are not going to school because of that shortfall and calculate the loss of another 2,300 if there is not an increase this year. As a result of the low financial aid availability, many students are taking minimum credits and working at low wage jobs which extends their time to graduate. Many students don't want to borrow for their education so they drop out.

Sen. Gladwell asked about the Regents' move to a new facility. Mr. Norris explained that the move was financially viable since they needed a bigger building and they could buy the property rather than lease; they are saving money and acquiring more space. The Regents are moving to purchase their own loans to save money on the servicing and give better service.

3. Analyst's Report—Housekeeping Adjustments—Mr. Garriott said their report was informational for a 2% budget reduction discussion. Ms. Headden said internal adjustments on Table B of the handout are essentially budget cleanup. She discussed each of the columns. Mr. Garriott said this is important because agencies cannot move line items and we need the concurrence of the Higher Education Subcommittee. All items are net zero.

**MOTION:** Sen. Gladwell moved to adopt the analysts' recommendations for internal reallocations.

Discussion to the motion was heard from Rep. Jones, Ms. Headden, and Sen. Allen

The motion passed unanimously.

Ms. Headden discussed Table C regarding higher education's portion of the Mineral Lease account that is 2.25% of royalties (projected at \$33 million) for a total of \$743,600; this reduction brings them into statutory compliance.

**MOTION:** Rep. Jones moved to adjust the budgets for mineral lease accounts by \$158,100 to bring it into statutory compliance.

The motion passed unanimously.

Ms. Headden discussed Internal Service Funds on Table D. Motor Pool and Risk Management rates will go up and we don't know if they will be funded by the State yet. If not, institutions will have to absorb the costs. Mr. Garriott said a motion isn't necessary because there isn't any money. Essentially, they are taken out of the budget if not funded.

Table E is the transfer of Star School funding to CEU. Pres. Ryan Thomas said they would like to divide it so half goes to Price and half to the Blanding Campus. Ms. Headden said that could be done at the institution.

**MOTION:** Rep. Dayton moved to transfer \$263,600 for the Star Schools to CEU with the designation that half go to the Price Campus and half to Blanding.

The motion passed unanimously, but was invalid because there was not a quorum.

Tables F and G illustrate the costs to institutions if health and dental and retirement rate increases are not funded by the State. Executive Appropriations will make that decision. Table H shows the Analysts' O&M recommendations that pretty much agree with the Regents requests. WSU pulled the IHC request because the building will not be ready. UVSC's request was adjusted from 6 months to 10 months for the Wasatch Campus and SLCC's was adjusted for the FY '03 one-time conversion to on-going.

Fuel and Power increases are requested at \$6.3 million. Both rates and consumption have basically stabilized so the analysts recommend no increase. The current problem comes from negative funding balances that have continually been carried forward. Postage as well as water and sewer increases are also requested, but the analyst does not recommend those requests. Commissioner Foxley asked why the analysts haven't recognized the need if the institutions have had to reallocate to cover those costs. Ms. Headden said in prior years, fuel and power were extremely large rates and the Legislature funded \$7.5 million in one-time to help. Now, because rates have stabilized, office policy doesn't allow them to fund it. She did not receive supporting documentation for postage or water/sewer increases so she didn't have information to support the requests.

Vice President Fred Hunsaker, USU, said power increases went up several years ago and current funding shortages are a function of higher rates. Ms. Headden said \$7.5 million was appropriated in one-time money to offset those balances. Mr. Hunsaker said that money addressed the past, but didn't address the higher rates. Mr. Garriott said it is a real need, but the money just simply isn't there to fund it.

After the terrorist attacks of September 11, the Immigration and Naturalization Service required institutions to track foreign students. As shown in Table J, the analysts recommends \$322,200 for SEVIS if money becomes available. It is a federal mandate and higher education is tracking 3,800 foreign students in Utah.

Mr. Garriott said the last table shows many items that could be funded with tuition increases. There is a difference in philosophy between the analysts and the USHE about how the second-tier should be used.

4. Budget Reduction Discussion—The Executive Appropriations Chairs have asked the subcommittees to decide how to take a 2% reduction in their budgets. Rep. Johnson said money is needed for Medicaid, Medicare, retirement increases, etc. Commissioner Foxley distributed a handout showing the impact of past budget reductions. The more reductions there are, the more flexibility the presidents need. She said the Legislature ought to be looking at what happens with the sum of the cuts, what will happen if there is another 2% cut, and what will happen to higher education in Utah if we don't restructure the tax structure in the state. All cuts total \$91 million including UEN and UCAT. The back side of the handout shows an estimation of what an additional 2% cut will do to institutions. Course sections would have to be dropped. Vertical cuts don't give immediate savings because of faculty contracts and the responsibility to finish with students in eliminated programs. Commissioner Foxley asked that second-tier tuition money not be used as the analysts recommend.

Regent Chair Nolan Karras said second-tier tuition shouldn't be taken away to balance the system. He would ask presidents to cut vertically at their discretion but to cut programs out by the roots. Mr. Garriott said his recommendations for second-tier tuition has been misinterpreted. They haven't moved tuition between institutions and is only allocated to institution to fund operating costs. Mr. Karras said if he has to fund O&M he will cut something else out so they can keep promises to students.

Sen. Gladwell asked why new programs are being planned and/or developed when we are in the current financial environment. Chair Karras said there is a moratorium on new programs but there is an exception process. If it can be proven that a program is replacing something or has other very specific criteria, it might get passed. For example, UCAT associate degrees are in the system. WSU and UVSC have programs to allow those UCAT graduates to continue their education toward four-year degrees. Programs will have to be deleted to allow new programs.

Chair Karras said if they are given the discretion, they will go through the process and report how cuts were taken in the interim. Rep. Johnson said they have to balance the budget before adjournment and that concerns him. Commissioner Foxley said there isn't an across-the-board about it because of unfunded enrollment numbers that are variable across the system.

President Kermit Hall said it is important to understand that if the 2% holds, USU will have had \$15 million plus taken away. Most of the budget is personnel so USU would have to lay off between 180 and 200 employees, mostly in staff and lower salaried employees. A big impact is on student employment so it's a net cut in student financial aid. He said if you can't pay your bills, you are bankrupt.

Pres. Ryan Thomas, CEU, said 760 course sections would be eliminated. That doesn't take into account the number of additional lost sections because of lost tuition and that would be half again as big at CEU. Students won't have classes, so you are eliminating students and losing tuition. It is counterproductive to recovery of the recession. In an economic downturn, pulling people out of jobs and pulling prospective employees out of jobs is the wrong thing to do.

A number of national studies say there is a window of opportunity for higher education. If someone gets in the age window and gets an education, they will go on and be productive. If for some reason they don't get into college in that window, they never make a good wage and their prospects of meaningful employment is gone.

Rep. Shurtliff said we need to tell Executive Appropriations that we do not want to touch second-tier tuition, that we won't take an additional 2% cut across the board, and we are not giving our money to another area. Rep. Dee echoed that and said he has enough faith in the presidents and the Board of Regents to let them keep the second tuition tier and to make budget decisions. Rep. Winn agreed that presidents and the regents should make the decision and leave the second tier alone. Principles and philosophies can be put in intent language, but let them manage.

Rep. Hughes asked Commissioner Foxley about restructuring taxes. Commissioner Foxley said the governor has a couple proposals and Rep. Jones has a bill as well. Rep. Hughes believes that the hard decisions should be made by the institutions. We want an educated work force to bring in taxes. It wasn't tax cuts that brought us here, it is a terrible recession. He fears that any type of tax changes will take money out of the economy and that will prolong the problem. Rep. Johnson said they will meet with the Executive Chairs and convey the feelings of the Higher Education Subcommittee.

Mr. Garriott said there are other sides to the institutions that need to be considered. Throughout the system, \$35.75 million is spent for public service and we could reduced 10% of those budgets. Reimbursed overhead is another portion that could be considered (\$82 million) with at least \$12-\$15 million carried over annually. Faculty workload could be increased. These things don't have to be done long term, only during tough economic times. Graduate tuition could also be raised.

Commissioner Foxley agrees that each institution should examine those ideas, but research stimulates the economy and she doesn't want to move backwards on reimbursed overhead. Chair Karras said as far as he is concerned everything is on the table, but his priority would be to affect students the least.

Pres. Ann Millner, WSU, said no matter what they do, it will impact students. When you increase the graduation time, you increase costs to the system and to the students. They have been taking cuts in some of the areas Mr. Garriott mentioned. Acting Pres. Lucille Stoddard, UVSC, said their students pay 50% of the cost of instruction while their cost per FTC is the lowest in the system. It doesn't really matter where they take their cuts, students will be impacted significantly.

Committee Co-Chair Johnson adjourned the meeting at 4:50 p.m.

Minutes were reported by Rolayne Day, Secretary.